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REPORT OF THE SECRETARY-GENERAL ON HIS MISSION OF GOOD OFFICES IN CYPRUS

1. The present report on my good offices mission in Cyprus is being provided pursuant to operative paragraph 11 of Security Council resolution 774 (1992) of 26 August 1992, by which the Council requested me to submit, prior to the end of 1992, a full report on the face-to-face talks between the leaders of the two communities that were scheduled to resume at United Nations Headquarters in late October. In paragraph 10 of the same resolution the Security Council called on me, in the event that an agreement did not emerge from these talks, to identify the reasons for the failure and to recommend to the Council alternative courses of action to resolve the Cyprus problem.

2. In my most recent report on this question (S/24472 of 21 August 1992), I recounted the effort that had been made since April of this year to complete the work on the set of ideas of an overall framework agreement. In particular, I described the proximity talks which I had conducted with the two leaders at United Nations Headquarters from 18 to 23 June and from 15 July to 11 August. I went on to describe the joint meetings between the two leaders under my chairmanship which had begun on 12 August with the purpose of negotiating an agreement on the basis of the set of ideas, including my suggestions on territorial adjustments and displaced persons, and which had adjourned on 14 August. I annexed to my report the entire set of ideas.

3. In my report of 21 August, I indicated that for the first time, substantive discussions had taken place on territorial adjustments, but that the Turkish Cypriot side needed to show the necessary willingness to foresee an adjustment more or less in line with the suggestions embodied in the set of ideas, if the delicately crafted balance of the remainder of the set of ideas was to be maintained. Concerning displaced persons, I welcomed the acceptance by Mr. Denktaş of the principle of the right to return and the right to property. At the same time, while expressing understanding for the practical difficulties involved in resolving the issue of displaced persons, I stated

that the manner in which these difficulties were addressed must not by itself deny the principle of the right to return and the right to property. I stated my view that, with all eight headings of the set of ideas having now been brought to the same level of clarity, the two sides should be in a position to reach an early agreement. I concluded my report by stating the belief that, since the continuation of the status quo in respect of Cyprus was not a viable option, should an agreement not emerge from the talks that were to reconvene in October, it would be necessary for the Security Council to give serious consideration to alternative courses of action for resolving the Cyprus problem.

4. In its resolution 774 (1992), the Security Council, having reaffirmed all of its previous resolutions on Cyprus, inter alia, endorsed the set of ideas including suggested territorial adjustments reflected in the map contained in the annex to my report (S/24472) as the basis for reaching an overall framework agreement. The Council agreed with my view that the set of ideas as an integrated whole had been sufficiently developed to enable the two sides to reach an agreement and it urged the two sides to pursue, as from the resumption of joint meetings in late October, uninterrupted negotiations until an overall framework agreement was reached on the basis of the entire set of ideas. The Council expressed the expectation that such an agreement would be concluded in 1992 and reaffirmed its conviction that the present status quo was not acceptable.

5. Following the adoption of resolution 774 (1992), my representatives maintained close contact with all concerned. From 9 to 22 October they visited the area and conferred with both sides in Cyprus and with the Governments of Greece and Turkey in preparation for the resumption of joint meetings between the two leaders in New York.

I. THE RESUMED JOINT MEETINGS, 28 OCTOBER-11 NOVEMBER 1992

6. The joint meetings between the two leaders under my chairmanship, which had begun in the period from 12 to 14 August, resumed on 28 October 1992 at United Nations Headquarters. Both leaders accepted my proposal that the headings of the set of ideas be taken up in the following sequence: Displaced Persons, Constitutional Aspects of the Federation and Territorial Adjustments, to be followed by the remaining headings, namely Overall Objectives, Guiding Principles, Security and Guarantee, Economic Development and Safeguards, and Transitional Arrangements.

7. During the course of 10 joint meetings, with a duration of over 16 hours, I took a careful record of the positions taken by each side. A non-paper was prepared by me, setting out the essential elements of their positions, together with the relevant parts of the set of ideas and United Nations resolutions. Both sides confirmed that the non-paper reflected accurately their respective positions.

8. In general terms, the Turkish Cypriot side affirmed that it was in "basic agreement with 91 out of the 100 paragraphs" of the set of ideas, adding that the differences under the remaining nine paragraphs stemmed from the lack of agreement on seven issues which the Turkish Cypriot side considered to be key and outstanding, viz. (a) the executive: the principle of the rotation of the president and the vice-president and their mode of election; (b) the numerical composition of the federal council of ministers, the rotation of the ministries and the principle of consensus; (c) the transitional arrangements, with particular reference to the establishment of a transitional Government; (d) the elimination of economic disparities; (e) the participation of the federation in international organizations in which Turkey and Greece are not both members; (f) the modalities of the implication of the principle of "one sovereignty" for both communities, which may be best expressed by the following formula: "The federated states are sovereign in so far as their sovereignty is not limited by the sovereignty of the federal state"; and (g) the issue of "Displaced persons", as explained in the position paper presented at talks on 6 August 1992. Additionally, the Turkish Cypriot side held to its position on territorial adjustments, refusing to accept the map endorsed by the Security Council as the basis for reaching an agreement.

9. The Greek Cypriot side stated that it accepted the set of ideas and the map as a basis for reaching an overall framework agreement, subject to "any improvements for the benefit of both communities". The Greek Cypriot side undertook to negotiate in good faith to reach such an agreement, which would be in conformity with international law, human rights norms, as well as the functionality of the state, to the benefit of both communities.

10. In the section that follows, I shall describe the positions expressed by each side under the eight main headings of the set of ideas.

DISPLACED PERSONS

(paragraphs 72 through 85 of the set of ideas)

(a) Area that will come under Greek Cypriot administration - the affected area (paragraphs 73 to 75 of the set of ideas)

11. The main substantive point made by the Turkish Cypriot side under part (a) above is that Turkish Cypriots to be resettled from the affected area should be compensated at current value for the property they occupy in the affected area at the time of resettlement.

12. In regard to the right to property of the Turkish Cypriot displaced persons living in the affected area, the Greek Cypriot side's position is that they cannot be compensated for property which they did not own in 1974. The Greek Cypriot side adds that Turkish Cypriots to be resettled from the affected area to the future Turkish Cypriot federated state may opt to return to the properties that they owned in the south in 1974, or to be compensated for them, at 1974 value plus inflation.

13. In addition, the Greek Cypriot side proposes that all Turkish Cypriots who opt to be resettled in the north, regardless of whether or not they owned property in 1974, be provided with comparable residence, a resettlement allowance of limited duration and, where indicated, unemployment benefits at the same rate and subject to the same conditions applicable to Greek Cypriots. Turkish Cypriots to be resettled would also benefit from an economic rehabilitation programme, funded by the federal government, and elaborated as part of the overall framework agreement.

14. The Greek Cypriot side is ready to negotiate regarding compensation to Turkish Cypriots for any substantial capital investments in Greek Cypriot properties in which they resided in the affected area.

(b) Other areas under Greek Cypriot and Turkish Cypriot administration (paragraphs 76 to 85 of the set of ideas)

15. The Turkish Cypriot position is that after 1974 it was necessary, with a view to avoiding prolonged uncertainty in the Turkish Cypriot community, for the Turkish Cypriot administration to take over all Greek Cypriot properties on the Turkish Cypriot side in order to provide adequate housing and compensation to those Turkish Cypriots who had been displaced from the south. The Turkish Cypriot side states that in this way most Greek Cypriot properties on the Turkish Cypriot side have been allocated to Turkish Cypriots, with the creation of legally valid title deeds, and furthermore that most properties of Greek Cypriots currently being used by the Turkish armed forces have been allocated to Vakfs.

16. The Turkish Cypriot side states that the displaced Greek Cypriots will be unable to return to the property they owned in 1974 and will be compensated from the sale of Turkish Cypriot property left in the south. In the view of the Turkish Cypriot side, at current value, the Turkish Cypriot property left in the south roughly corresponds to the Greek Cypriot property left in the north. The Turkish Cypriot side adds that the calculation of global compensation will also need to take account of losses and deprivation suffered from 1963 onwards, as well as of funds provided by Turkey to the Turkish Cypriot community in that period.

17. The position of the Turkish Cypriot side is that the option of return will be exercised after a mutually agreed moratorium. The settlement of those who select to return will take place after the persons who will be affected have been satisfactorily relocated. A review mechanism will be established in each federated state in a mutually agreed manner to determine, upon recourse by the current owner and/or occupant, whether there are circumstances which preclude relocation in that particular case. In that event, or if the current owner and/or occupant is also a displaced person or a bona fide purchaser or heir, or if the residence has been substantially altered; or has been converted to public use or allocated to public service institutions, Vakfs (religious trusts) etc.; or is being occupied by the current owner and/or occupant under a scheme for rehabilitation of homeless people; or if the current owner and/or occupant is a war veteran or is an heir or descendant of

a war veteran; or if the residence is situated in areas which are known to have been the scene of massive inter-communal violence or located in areas designated by the respective federated states for security considerations, the former permanent owner will not be able to return and will be compensated. Settlement of Greek Cypriots in the area that will be under Turkish Cypriot administration shall be subject to a moratorium and the agreed ceiling in order to preserve the bi-communal and bi-zonal character of the federal state.

18. The position of the Greek Cypriot side is that the right to return and the right to property, having been accepted, should be implemented subject only to suitable arrangements to meet any practical difficulties. Displaced persons from both communities now residing in Cyprus or abroad, who in 1974 resided and/or owned property in the area administered by the other community, may opt to return to their homes and properties, or may opt to claim compensation, at 1974 value plus inflation, or choose to retain their titles and enter into leasing arrangements if necessary. Persons who were displaced after December 1963 or their heirs may similarly file claims for compensation. The implementation of the above will be subject to agreed practical difficulties.

19. It is also the position of the Greek Cypriot side that the misappropriation of Greek Cypriot properties by the Turkish Cypriot authorities is null and void. Current Turkish Cypriot residents cannot claim compensation for the Greek Cypriot properties of which they were given possession since 1974. Turkish Cypriots who will be relocated will be indemnified in other ways. The value of the Turkish Cypriot properties in the Greek Cypriot area is considerably less than the value of the Greek Cypriot properties that would remain in the Turkish Cypriot federated state, taking account of the territorial adjustment shown in the set of ideas (about 11.5 to 1 at 1974 value). Therefore, the Turkish Cypriot offer of compensation through an overall exchange of properties is not acceptable as being either just or possible.

20. It is the Greek Cypriot position furthermore that there should be no additional moratorium beyond the period necessary for the resettlement and rehabilitation process arising from the territorial adjustment. A blanket prevention from returning to the federated state administered by the other community of persons for alleged acts of violence committed in 1974 or before may entail a violation of human rights, and for this reason the due process of law should be at the federal level.

21. In addition to matters contained in the set of ideas, the Greek Cypriot side raised the question of Turkish immigrants who have settled in the northern part of Cyprus since 1974. The Greek Cypriot side stated that these persons should return to their country of origin and that they should be facilitated in doing so.

OVERALL OBJECTIVES/GUIDING PRINCIPLES

(paragraphs 2 to 23 of the set of ideas)

22. The Turkish Cypriot side declares the essence of its position to be that each federated state is sovereign in so far as its sovereignty is not limited by the sovereignty of the federation. Accordingly, the result of the overall framework agreement will, in the view of the Turkish Cypriot side, be the establishment of a bi-communal, bi-zonal federal republic by two politically equal corporate bodies from which the sovereignty of the federal republic will emanate. The two equal federated states will each freely agree to devolve a portion of their respective sovereign powers to the federal Government. Additionally, the Turkish Cypriot side holds that the federal republic will have territorial integrity and its territory will be composed of the respective territories of the two politically equal federated states; that the equality of all citizens before the law shall not be interpreted or used as a pretext to the detriment of the communal identity, political equality and integrity of either community; and that the official language of the Turkish Cypriot federated state will be Turkish and the official language of the Greek Cypriot federated state will be Greek.

23. The Greek Cypriot side declares that the bi-communal and bi-zonal federation will be established freely by the Greek Cypriot community and by the Turkish Cypriot community, which together constitute the people of Cyprus.

CONSTITUTIONAL ASPECTS OF THE FEDERATION

(paragraphs 24 to 51 of the set of ideas)

(a) Powers and functions to be vested in the federal government (paragraphs 25 to 27 of the set of ideas)

24. The Turkish Cypriot side declares itself to be basically in agreement with these provisions, with the following provisos concerning the list of powers and functions of the federal Government: the federated states may enter into agreements with foreign Governments within their area of competence, without approval from the federal Government, although such agreements should be in conformity with the foreign policy of the federal Government; the federal Government should be confined to setting rules and procedures and these should be implemented by the federated states in respect of airports and ports as concerns international matters and immigration and citizenship; the federal Government should be limited to coordinating procedures relating to patents and trade marks; and the federal Government should simply set minimum standards concerning public health, environment, the use and preservation of natural resources and weights and measures. The Turkish Cypriot side holds that federal powers and functions should be executed by federal officers belonging to the community of the federated state in which they serve or, in accordance with agreements, through delegation to the federated states.

25. The Greek Cypriot side states that the federal Government should be able to execute and implement its powers and functions, especially those concerning key matters such as, inter alia, immigration and citizenship; that agreements which a federated state may wish to enter into with foreign Governments and international organizations within the area of its competence should be concluded through the foreign ministry, and should be approved by the federal Government if such agreement were to affect the international relations of the federation or entailed a financial burden for it; the provisions for powers and functions of the federal Government should include the setting of federal economic policy; and there should be a single commercial law and uniform company law throughout the federation. The Greek Cypriot side also states that the locus of residual powers does not affect in any way the single indivisible sovereignty of the State of Cyprus.

(b) Structure, composition and functions of the federal Government

(i) The Legislature (paragraphs 28 to 35 of the set of ideas)

26. The Turkish Cypriot side accepts the provisions in the relevant part of the set of ideas.

27. The Greek Cypriot side accepts in principle the relevant provisions of the set of ideas, subject to any improvements for the benefit of both communities and with the following considerations: the electoral system for both houses of the federal legislature should be uniform throughout the federation; the provision in the set of ideas for separate majorities is not necessary in view of the composition of the upper house; and the deadlock-resolving machinery needs to be improved.

(ii) The Executive (paragraphs 36 to 42 of the set of ideas)

28. The Turkish Cypriot side maintains that the posts of president and vice-president symbolize the bi-communal nature of the federation. Therefore, representatives of each community should rotate in the presidency and in representing the federation at official occasions overseas.

29. It is the position of the Turkish Cypriot side that each community must separately elect through universal suffrage its own representative to fill the office of federal president or vice-president. Such elections ensure that federal office holders embody the will of the community they represent and reflect the vested right of each community to elect its own representatives in the central Government, drawing from the 1960 Constitution and going back to the Ottoman period. The council of ministers should be composed of an equal number of Turkish Cypriot and Greek Cypriot federal ministers and should function on the basis of consensus to reflect the political equality of the two communities.

30. The Greek Cypriot side holds that since the federal president and vice-president represent the unity of the country, they should have a universal mandate, through election on the basis of federation-wide weighted

universal suffrage. The composition of the council of ministers contained in the set of ideas (i.e., a 7:3 Greek Cypriot/Turkish Cypriot ratio) is acceptable to the Greek Cypriot side, as are the provisions dealing with the decision-making process in the council of ministers. The Greek Cypriot side believes that it is to the benefit of both communities if one of the following three ministries, that is foreign affairs, finance or defence, is allocated to a Turkish Cypriot minister on a rotational basis, but that the near permanent allocation of any ministry to one or the other community will be counter-productive.

(iii) The Judiciary (paragraphs 43 to 46 of the set of ideas)

31. Both sides accept the relevant parts of the set of ideas.

(c) Fundamental rights, including the three freedoms and political, economic, social and cultural rights (paragraphs 47 to 51 of the set of ideas)

32. The Turkish Cypriot side agrees that the freedom of movement will be exercised without restriction upon the establishment of the federal republic, but provided that by that stage arrangements for settling property claims will have been agreed. The Turkish Cypriot side holds that regulation by the federated states of the freedom of settlement and the right to property will need to preserve the bi-communal nature of the federation and will take account of the need to prevent inter-communal conflict as well as of the economic interests and communal identity of the federated states. The freedom of settlement and the right to property will be implemented after the completion of the resettlement process arising from the territorial adjustments, but gradually and in phases and following a moratorium for confidence-building. Special arrangements will be made for Maronites who in 1974 had their permanent residence in the territory of the Turkish Cypriot federated state.

33. The Greek Cypriot side emphasizes that the unity of the federal state requires the uniform application of individual rights and freedoms of all Cypriots throughout the federation. These rights and freedoms must be entrenched in the federal constitution and safeguarded by the federation. Their regulation by the federated states is accepted, but any limitations contrary to international law and human rights instruments are not acceptable. A blanket prevention on the return to the federated state administered by the other community of persons alleged to have committed acts of violence in 1974 or before may, in the Greek Cypriot view, entail violations of human rights and for this reason the due process of law should be federal.

TERRITORIAL ADJUSTMENTS

(paragraphs 67 to 71 of the set of ideas)

34. While accepting the need for territorial adjustments as part of an overall framework agreement, the Turkish Cypriot side affirms that the map included in the set of ideas would uproot 37,433 Turkish Cypriots and is unacceptable as a basis for discussion. In the opinion of the Turkish Cypriot side, criteria in the 1977 high-level agreement as elaborated during the talks should be the basis of the territorial adjustments. The latter could provide for a Turkish Cypriot federated state comprising 29+ per cent of the territory of the federation. Furthermore, the Turkish Cypriot side maintains that a map may be drawn only following agreement on the constitutional aspects of the federation and only when it is evident, in the view of the Turkish Cypriot side, that the Greek Cypriot side has agreed to power-sharing under a federal structure.

35. The Greek Cypriot side accepts the map included in the set of ideas, subject to marginal changes aimed at making the map more equitable. Agreement should be reached as regards the status of the special areas shown in the map and the rights of their inhabitants in both federated states with a view, in particular, to safeguarding the rights of the Greek Cypriots in the Karpass area under the 1975 Vienna III Agreement. The Greek Cypriot side agrees with the need for a Cyprus-wide census, implemented under international auspices.

SECURITY AND GUARANTEE

(paragraphs 52 to 66 of the set of ideas)

36. The Turkish Cypriot side accepts the provisions of the set of ideas under this heading and adds that the 1960 Treaties of Guarantee and of Alliance are in force and must not be diluted; that a reference to the Conference on Security and Cooperation in Europe (CSCE) would be more appropriately placed under the heading "Guiding Principles"; that the timetable for the reduction to an agreed level of Greek Cypriot and Turkish Cypriot units and for the withdrawal of all forces not provided under the Treaty of Alliance will be fully implemented "by the date" of the establishment of the federal republic.

37. The Greek Cypriot side states that its interpretation of the Treaty of Guarantee is different from that of the Turkish Cypriot side, in that the Greek Cypriot side considers that Turkey, or the other guarantor powers, did not have and cannot have a unilateral right of military intervention, because this would be contrary to the Charter of the United Nations. The Greek Cypriot side is ready to refer this matter, and any other basic legal issue, to the International Court of Justice.

38. It is also the position of the Greek Cypriot side that the stationing of the Greek Cypriot and Turkish Cypriot units of the federal force exclusively in their respective federated state does not promote the unity of the country.

ECONOMIC DEVELOPMENT AND SAFEGUARDS

(paragraphs 86 to 92 of the set of ideas)

39. The Turkish Cypriot side states that the two federated states should be considered as separate units for the purposes of foreign trade and agencies and that the federation should provide to Turkey and Greece, on a reciprocal basis, market access and related facilities in all economic fields. This would exclude the possibility of either motherland securing a more favourable economic position in Cyprus than the other.

40. The Turkish Cypriot side goes on to state that in the interest of ensuring parity in the special ties between the respective motherlands, Greece and Turkey, and Cyprus, the federation can only become a member of, or participate in, any international organization or other body if (a) both Turkey and Greece are members of, or participate in, such organization or body; and (b) such membership or participation is approved by the two federated states in separate referendums.

41. The Greek Cypriot side accepts the related provisions with the proviso that the separate referendums on matters related to membership in the European Community (EC) should be part of, and conducted at the same time as, the separate referendums on the overall framework agreement.

TRANSITIONAL ARRANGEMENTS

(paragraphs 93 to 100 of the set of ideas)

42. The Turkish Cypriot side states that it accepts the relevant provisions of the set of ideas, subject to the establishment of a transitional Government comprising the two sides after the approval of the overall framework agreement in separate referendums. The latter condition is explained as a way to avoid legal chaos that would have unforeseen consequences. Such transitional Government would function under the joint supervision of the heads of the two federated states. The Turkish Cypriot side also states that its federated state would not be bound by the effects of any international agreement entered into by the Greek Cypriot side after December 1963 unless approved by the Turkish Cypriot legislature.

43. The Greek Cypriot side states that the provisions related to transitional arrangements would need to be discussed fully after the Turkish Cypriot side had accepted the relevant basic concepts. The Greek Cypriot side also rules out any recognition of the "TRNC" as contrary to Security Council resolutions, and accepts that the separate referendums on the overall framework agreement could be conducted by the United Nations.

II. OBSERVATIONS

44. The outcome of the joint meetings that were held in the period 28 October to 11 November has not met expectations. It is true that the meetings were useful to the extent that they brought the two leaders together in extended face-to-face discussion and that they clarified directly to each other in an unprecedented manner their respective positions on the set of ideas which has been approved by the Security Council as the basis for an overall framework agreement. It is positive also that both leaders agreed to continue the process. Nevertheless, the objectives set by the Security Council in resolution 774 (1992) were not achieved. An overall framework agreement did not materialize.

45. The discussions demonstrated that differences remain between the positions of each side and the set of ideas. Some of the positions taken by each side are variations of the provisions of the set of ideas, and should therefore be amenable to harmonization during the forthcoming joint meetings. However, some of the positions voiced by the Turkish Cypriot side are, in a fundamental way, outside the framework of the set of ideas. I believe that such positions need to be reviewed by the Turkish Cypriot side and brought within the framework of the set of ideas, by the resumption of the meetings in March 1993.

46. It is important to recall that the set of ideas emerged from a sustained effort during the past several years, in the course of which the text was successively refined to take account of legitimate concerns and interests expressed by each side. This process received a particular impetus from discussions which United Nations representatives had with senior officials of the Foreign Ministry of Turkey in 1990 and 1991. The result of the process has been a set of ideas that provides the basis for a fair solution - a compromise, but one that safeguards the basic interests of each side.

47. I have found that the positions of the Turkish Cypriot side are fundamentally at variance with the set of ideas under three broad headings: (a) the concept of the federation; (b) displaced persons; and (c) territorial adjustments.

48. With regard to <u>the concept of the federation</u>, the thrust of the position of the Turkish Cypriot side is based on the premise that there exist at present two sovereign states with equal rights and that they will remain effectively sovereign in a future federation. This thread runs through its stance on the headings entitled "Overall Objectives" and "Guiding Principles", in particular on the question of sovereignty; through its position that the properties of Greek Cypriots in the north have been allocated to Turkish Cypriots under valid and binding legislation; through its ideas on how to set up a transitional Government; through its position on the two federated states as separate trading units in the international market-place; and through certain of its stated preferences in the constitutional area, concerning the implementation of such federal government functions as those related to citizenship and immigration, airports and ports and the federal civil

service. In this connection, it must be recalled that the resolutions of the Security Council concerning Cyprus have, from 1964 onwards, sought to preserve the territorial integrity and unity of Cyprus. Resolution 750 (1992) of 10 April 1992 reaffirms that "a Cyprus settlement must be based on a State of Cyprus with a single sovereignty and international personality and a single citizenship, with its independence and territorial integrity safeguarded ..."

49. Concerning displaced persons, in my most recent report to the Security Council (S/24472 of 21 August 1992), I indicated that Mr. Denktaş had accepted the principle of the right to return and the right to property, provided that the practical difficulties of the Turkish Cypriot side were taken into account.

50. The exceptions set by the Turkish Cypriot side (see para. 17 above) would in effect preclude the possibility that any Greek Cypriot displaced persons would be able to return.

51. In fact, Mr. Denktaş's position is that all Greek Cypriot properties in the north have been taken over by the Turkish Cypriot authorities and that practically all of these properties have been subsequently allocated either (a) to Turkish Cypriot displaced persons, as compensation for the property that they left behind in the south, or (b) to other persons - either Turkish Cypriots, or immigrants from Turkey who have "acquired citizenship" since 1974.

52. It is the position of Mr. Denktaş that displaced Greek Cypriots cannot have the right to return to such properties that are "owned" by Turkish Cypriots (born in Cyprus or abroad), as the latter now hold "legal title" on the properties concerned. Therefore, those Greek Cypriot displaced persons, in the view of Mr. Denktaş, can only be compensated for the property they owned in 1974.

53. The contention by the Turkish Cypriot side that a de facto takeover of properties carries with it the acquisition of rights of ownership in respect of such property is carried through to the Turkish Cypriot demand that any Turkish Cypriot who relocates from the area to be affected by the territorial adjustment (in addition to being provided with alternative comparable housing, etc., as envisaged in the set of ideas), must also be compensated for the lands/houses which he possesses in the affected area, without regard to whether or not he was a property owner, or even lived in Cyprus in 1974. Turkish Cypriots who were not resident in the affected area in 1974 would thus be compensated for the property of someone else.

54. Furthermore, with regard to compensation, while Mr. Denktaş accepts that individual displaced Greek Cypriots have a right to compensation in respect of the property that they owned in 1974, his view is that the global exchange between the two communities of the titles of properties of displaced persons for which the owners claim compensation will essentially be sufficient to settle all claims. He asserts that on the basis of current values, the value of properties of Greek Cypriot displaced persons in the north corresponds roughly to the value of the properties of Turkish Cypriot displaced persons in the south. However, all available information suggests that the value of the

properties of Greek Cypriot displaced persons in the north is many times the value of the properties of Turkish Cypriot displaced persons in the south.

55. The objective of Mr. Denktaş's position is to have the two communities living separately, as practically homogeneous ethnic groups. The solution sought by Mr. Denktaş is incompatible with the set of ideas, which seeks to take account of practical difficulties, but not in a manner that would negate the right to return and the right to property, as well as with accepted international standards and practices.

56. Concerning territorial adjustments, Mr. Denktaş refuses to accept the map included in the set of ideas, even as a basis for discussion. Despite the call made in my report of 21 August, and echoed by the Council in its resolution 774 (1992), he has not shown a willingness to foresee an adjustment more or less in line with the suggestions in the set of ideas - which is necessary, given the delicate balance of the set of ideas.

57. As I stated in paragraph 45, there are other points of difference between the two sides, which however are within the framework of the set of ideas. This is the case, for example, in respect of some of their differences over the powers and functions of the federal Government, and the federal executive.

58. I noted that the Greek Cypriot side declared that it accepted provisions of the set of ideas. However, such declarations were frequently accompanied by provisos. These questions should be cleared up at the forthcoming joint meetings in a manner that does not deviate from the set of ideas.

59. The intensive effort made during these past weeks has failed to produce an overall agreement. The lack of political will mentioned in my report of 21 August (S/24472) continues to block the conclusion of an agreement that is otherwise within reach.

60. In resolution 774 (1992), the Security Council indicated that the current effort could not continue indefinitely, and requested, should an agreement not be reached, that I recommend alternative courses of action to resolve the Cyprus problem. The Security Council has affirmed that the present status quo on the island is unacceptable. It is appropriate therefore to examine the modalities of the current effort as well as the potential for enhancing its prospects for success through measures that each side could take on the ground.

61. First and foremost, it is essential that the Turkish Cypriot side adjust its positions in particular on the concept of the federation, displaced persons and territorial adjustments, when the joint meetings resume in March 1993, in order to bring those positions within the scope of the set of ideas.

62. The two leaders have agreed to continue the negotiating process in the early part of March 1993. In this connection, I believe that the time may have come to give fuller form to the decision of the Security Council, reflected in its resolution 750 (1992) of 10 April 1992, to be seized of this matter "on an ongoing and [more] direct basis".

63. It appears from the recent joint meetings that there is a deep crisis of confidence between the two sides. It is difficult to envisage any successful outcome to the talks for as long as this situation prevails. There can be no doubt but that the prospects for progress would be greatly enhanced if a number of confidence building measures were adopted by each side. The purpose of such measures, taken in good faith by each side, would be to advance the goal of the forthcoming joint meetings - that is, to conclude an overall agreement on the basis of the entire set of ideas endorsed by the Security Council. The following measures would help to create a new climate of confidence which will contribute to the success of the negotiating process.

First, the level of armed forces and armaments in Cyprus is already too high and yet continues to grow. As a first step towards the withdrawal of non-Cypriot troops envisaged in the set of ideas, the Turkish Forces on the island should be reduced to their level of a decade ago and this should be reciprocated by a suspension of weapons acquisition programmes on the Greek Cypriot side. The implementation of these steps, together with those in the second paragraph, immediately following, would be most timely in view of the imminent sizeable reductions in the personnel and resources of the United Nations Peace-Keeping Force in Cyprus (UNFICYP);

Second, the unmanning agreement which UNFICYP concluded in 1989 with the military on each side, and by which both sides unmanned their positions and ceased their patrols in certain sensitive locations in Nicosia, should be extended to cover all areas of the United Nations-controlled buffer zone where the two sides are in close proximity to each other. I intend to instruct the UNFICYP Force Commander to initiate discussions with the two sides to achieve this objective without delay;

Third, bearing in mind the waste of valuable property and infrastructure that has occurred in Varosha for over 18 years, the area under the control of UNFICYP should, in line with Security Council resolution 550 (1984) of 11 May 1984, be extended immediately to include Varosha;

Fourth, the promotion of people-to-people contact between the two communities would contribute much to breaking down barriers of mistrust. To this end, travel restrictions across the buffer zone should be reduced;

Fifth, similarly, the restrictions imposed on foreign visitors crossing the green line should be reduced;

Sixth, each side should propose bi-communal projects, and lending and donor nations, as well as international institutions, should give preference and incentive to projects, especially in the private sector, which stimulate intercommunal cooperation;

Seventh, the two sides should commit themselves to a Cyprus-wide census, undertaken under the auspices of the United Nations;

Eighth, the two sides should cooperate to enable the United Nations to undertake feasibility studies in connection with the resettlement and rehabilitation of those Turkish Cypriots who would be affected by the territorial adjustments as part of the overall agreement.

64. The implementation of the above proposals would be a good measure of the political will of all concerned to work actively towards a solution of the Cyprus problem.

65. Pending the continuation of the process in March 1993, there will no doubt be keen interest on the part of the Security Council, and indeed, the broad membership of the United Nations, including those Members that contribute to UNFICYP, in the reaction of each side to these proposals.

66. If the proposals put forward above are embraced by the two sides, the resumed joint meetings in March will take place in a more propitious atmosphere.

67. I would urge the Security Council to keep developments under close review, including during the March joint meetings, in order to consider any additional action that should be taken to achieve a speedy solution to the Cyprus problem.